

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 COME-00 EB-11 LAB-06

SIL-01 TRSE-00 NIC-01 SAJ-01 IO-14 CEA-02 CIEP-02

DRC-01 /124 W

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O 111700Z JUN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 5321

S E C R E T ROME 8074

DEPARTMENT PASS DIA FOR AA-2 AND DI-5

E.O.11652: N/A

TAGS: PINT, IT

SUBJECT: ITALIAN GOVERNMENT CRISIS

REF: A. ROME 7977

B. ROME 8006

1. CONSENSUS HERE IS THAT (A) COMPROMISE AGREEMENT WAS A VERY NEAR THING, BUT THAT (B) HAVING FAILED TO AGREE, PUTTING HUMPTY DUMPTY BACK TOGETHER AGAIN WILL BE VERY DIFFICULT, EVEN THOUGH (C) THE INTERNAL ECONOMIC SITUATION AND THE QUESTION OF EXTERNAL CONFIDENCE IN ITALY ARE MATTERS WHICH CANNOT BE POSTPONED.

2. AGREEMENT WAS WITHIN REACH AFTER WEEKEND (JUNE 8-9) OF ALMOST NON-STOP INTER-MINISTERIAL TALKS, UNTIL ROUGH OUTLINE OF AGREEMENT WAS REFERRED BY MANCINI AND GIOLITTI TO PSI PARTY LEADERS ON MONDAY MORNING, JUNE 10. REPORTEDLY, DE MARTINO WAS HESITANT, SUSPECTING THAT UNIONS WERE LIKELY TO BE STILL FARTHER TO THE LEFT OF OUTLINED AGREEMENT. IN APPARENT AGREEMENT WITH DE MARTINO'S CONCERN, NENNI CAME DOWN HARD IN OPPOSITION TO OUTLINED ACCORD, AND STATEMATE

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IN JUNE 10 MEETINGS WAS THUS ASSURED.

3. LIST OF SCHEDULED CONSULTATIONS BY PRESIDENT LEONE HAS BEEN RELEASED SHOWING FINAL CONSULTATIONS THURSDAY MORNING, JUNE 13. DC SENATE GROUP PRESIDENT BARTOLOMEI BELIEVES RUMOR MOST LIKELY TO BE OFFERED CHANCE TO TRY AGAIN, ALTHOUGH THERE ARE NO INDICATIONS WHETHER OR NOT RUMOR WOULD ACCEPT. A PSDI SOURCE (CARIGLIA) DOUBTS RUMOR WOULD TRY, AND SAYS IF HE TRIED HE COULD NOT SUCCEED. MEANWHILE, REPUBLICAN

AND LET-WING DC SOURCES SAY PICCOLI MIGHT BE GIVEN CHANCE TO PICK UP THE PIECES IF RUMOR DECLINES OR FAILS IN THE ATTEMPT.

4. DC SOURCES ALL AGREE THAT CRISIS LIKELY TO BE DIFFICULT AND MAY TAKE CONSIDERABLE TIME TO RESOLVE, DESPITE URGE EY OF ECONOMIC SITUATION. NO ONE IS MAKING PREDICTIONS AS TO POSSIBLE FORMULA FOR CRISIS RESOLUTION ALTHOUGH MOST AT THIS POINT EXCLUDE DC MONOCOLORE (ONE PARTY) GOVERNMENT ON GROUNDS THAT DC WOULD NOT WISH TO TAKE SOLE RESPONSIBILITY FOR HANDLING GRAVE ECONOMIC SITUARTION, EVEN IF MONOCOLORE WERE ACCEPTABLE TO THE OTHER CENTER-FLEFT PARTIES. MOST DC SOURCES PREDICT INITIAL ATTEMPT TO RETURN TO CENTER-LEFT.

5. MEANWHILE, THERE IS SOME LABOR UNEASINESS THAT TRADE UNION CONFEDERATION WILL BE BLAMED FOR GOVERNMENT'S COLLAPSE. CLEARLY THE CRISIS WAS A DEVELOPMENT OF UNION/GOVERNMENT TALKS DURING WHICH MUCH UNION PRESSURE WAS EXERTED. IN ADDITION, THE UNIONS FEEL FRUSTRATED OVER THE FALL OF THE GOVERNMENT. THEIR FRUSTRATION STEMS ONCE AGAIN FROM FACT THAT, SUDDENLY, THERE IS NO GOVERNMENT WITH WHICH TO CONTINUE AND CONCLUDE THE TALKS WHICH WERE UNDERWAY FOR THE RESOLUTION OF LABOR'S DEMANDS. ONCE BEFORE A RUMOR GOVERNMENT FELL IN THE MIDST OF A LABOR-GOVERNMENT DIALOGUE: LAST FEBRUARY 27, A NATIONAL GENERAL STRIKE WAS CONDUCTED TO DRAMATIZE LABOR'S POSITON, BUT THE GOVERNMENT FELL BEFORE THE TALKS COULD GET UNDERWAY.

6. POLITICAL DIFFERENCES OF COALITION PARTIES ARE BEING REFLECTED WITHIN LABOR CONFEDERATIONS. THUS, THE PSI FACTION IN UIL WAS STRONGLY CRITICAL YESTERDAY OF THE DC, AND OF UIL SECRETARY GENERAL VANNI'S CALL FOR MODERATION AND FOREBEARANCE. THE CISL EXECUTIVE COMMITTEE HAS RESOLVED TO REDOUBLE EFFORTS TO ACHIEVE LABOR'S ENDS

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WITH THE NEXT GOVERNMENT. AS TO THE NATURE OF NEXT GOVERNMENT, LABOR FEELS THERE IS NO VIABLE COALITION FORMULA OTHER THAT THE CENTER-LEFT CONFIGURATION WHICH HAS JUST FALLEN.

7. COMMENT: WHILE PROXIMATE CAUSE OF PRESENT CRISIS IS PSI-DC CONFRONTATION ON ECONOMIC POLICY, RESULTS OF MAY 12 DIVORCE REFERENDUM MUST BE SEEN AS PLAYING LARGE ROLE IN PRESENT DIFFICULTIES. PSI

INTERPRETED VICTORY OF PRO-DIVORCE FORCES AND CORRESPONDING DC DEFEAT AS INDICATION OF BASIC CHANGE IN ITALIAN VOTER ATTITUDES IN FAVOR OF MORE SECULAR APPROACH TOWARD POLITICAL ISSUES AND A DESIRE FOR MORE RAPID SOCIAL CHANGE. AS A RESULT, THE PSI HAS PUSHED FOR A GREATER VOICE WITHIN THE CENTER-LEFT COALITION AND IN DOING SO HAS ADOPTED A MORE INTRANSIGENT ATTITUDE TOWARDS THE DC. IF, AS CURRENTLY EXPECTED, THE JUNE 16-17 REGIONAL ELECTIONS IN SARDINIA SHOW A DC DROP ACCOMPANIED BY A PREDICTED PSI GAIN, IT IS LIKELY THAT THE NECESSARY PSI-DC ACCOMMODATION TO RESOLVE THE CURRENT CRISIS WILL BE MADE EVEN MORE DIFFICULT. BEAUDRY

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